THE HON'BLE SRI JUSTICE C.V.RAMULU

W.P.No.345 of 2004

Dated:10.11.2006

Between
Viziainagaram Cooperative Urban Bank
Limited, Vizainagaram, rep., by its Secretary,
S.Nageswara Rao.

.....Petitioner

and

1.The Reserve Bank of India,
Urban Banking Department
Rep., by its Executive Director
and another.

…Respondents

THE HON'BLE SRI JUSTICE C.V.RAMULU

W.P.No.345 of 2004

ORDER:

This writ petition is filed seeking to declare the proceedings in Ref.VCUB/2003/927 dated 12-09-2003 issued by the 2nd respondent as arbitrary and illegal and contrary to the directions issued in W.P.No.11593/2002 dated 11-07-2002.

It appears that the petitioner-Bank made fixed deposits to a tune of Rs.3,55,00,844/- with the 2nd respondent during the period from July 1999 to August, 2000, which matured during the period from 18-10-2002 to 21-9-2003 and the maturity value of the said deposits is Rs.6,07,57,107/-. The said fixed deposits are made in 8 items, which are as under:

Sl	FD No.	Date of Maturity	Amount	Due

No.	deposit	Rs.	Date	value Rs.
1. 102036	9.5.2000	25,00,000	9.5.2000	36,69,617
2. 102037	9.5.2000	25,00,000	9.5.2003	36,69,617
3.053998	27.7.1999	29,38,750	27.8.2003	53,62,631
4.053999	28.7.1999	1,02,92,925	28.8.2003	1,87,82,530
5.063838	2.8.1999	98,86,456	2.9.2003	1,80,40,370
6.063839	21.8.1999	23,88,713	21.9.2003	43,47,870
7.101699	18.10.2000	25,00,000	18.4.2002	34,42,236
8.101698	18.4.2000	18.4.2002	18.4.2002	34,42,236

When the petitioner approached the 2nd respondent bank to pay the fixed deposit amounts before maturity the 2nd respondent rejected to do so. Therefore, the petitioner approached this Court and filed writ petition No.11593 of 2002 and the same was disposed of on 11.7.2002 by recording the undertaking given by the 2nd respondent bank to the effect that it would pay the fixed deposit amounts to the petitioner upon their maturity.

Meanwhile, it seems that the affairs of the 2nd respondent bank were not healthy. Therefore, the 1st respondent-Reserve Bank of India issued instructions under Section 35 (A) of the Banking Regulation Act, not to pay any amounts to the depositors except Rs.1,000/-. Hence, the writ petition is filed.

A detailed counter-affidavit has been filed by the 2nd respondent stating that if the matured fixed deposits of the petitioner are paid, it may lead to deteriorating the condition of the bank, as the other deposit holders may also demand repayment of their matured fixed deposits. The respondent bank cannot treat the petitioner bank separately. In fact, the respondent bank has submitted a rehabilitation package to the 1st respondent-Reserve Bank of India and awaiting for favourable orders.

Learned counsel for the 1st respondent says that in view of the instructions issued under Section 35-A of the Banking Regulation Act, the 2nd

respondent-bank cannot pay any amount exceeding Rs.1,000/- to any depositor unless further orders are issued.

Further, the petitioner is not an individual depositor to doubt its integrity. The petitioner-Vizainagaram Cooperative Urban Bank Limited represented by its secretary, filed this writ petiton. The petitioner bank collected fixed deposits from its customers and reinvested in the 2nd respondent bank, may be contrary to RBI Guidelines.

In view of the above, the 1st respondent-Reserve Bank of India is directed to consider this very writ petition as a representation filed by the petitioner and pass appropriate orders, considering the petitioner's case for issuance of direction to the 2nd respondent to release the fixed deposits, which were already matured. The 1st respondent shall pass orders within a period of two months from the date of receipt of a copy of this order and communicate the same to the petitioner.

Writ petition is disposed of accordingly. No costs.

10-11-2006

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